

1 AN ACT concerning State government.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 5. The State Treasurer Act is amended by adding
5 Section 16.8 as follows:

6 (15 ILCS 505/16.8 new)

7 Sec. 16.8. Illinois Higher Education Savings Program.

8 (a) As used in this Section:

9 "Custodial account" means a 529 plan account under
10 Section 529 of the Internal Revenue Code where the State
11 Treasurer serves as the custodian of the account with the
12 child as the beneficiary. The custodial account is not a
13 standard account.

14 "Fund" means the Illinois Higher Education Savings
15 Program Fund.

16 "Standard account" means a 529 plan account under
17 Section 529 of the Internal Revenue Code, created pursuant
18 to Section 16.5 of this Act.

19 "Internal Revenue Code" means Internal Revenue Code of
20 1986, or any successor law, in effect for the calendar
21 year.

22 "Low-income households" means households with income
23 less than 250% of the federal poverty line.

1 "Program" means the Illinois Higher Education Savings
2 Program.

3 "Post-secondary education" means a college,
4 university, vocational school, and any two or four-year
5 degree program from an accredited educational institution.

6 "Seed" means the initial contribution into an Account.

7 "State Treasurer" means the Illinois State Treasurer.

8 (b) The State Treasurer shall establish the Illinois Higher
9 Education Savings Program as part of the College Savings Pool
10 described in Section 16.5 of this Act. The State Treasurer
11 shall administer the Program for the purposes of expanding
12 access to higher education through savings. The Program shall
13 include the following features:

14 (1) All children born or adopted in Illinois and who
15 reside in Illinois at the time of birth or adoption are
16 eligible for the Program.

17 (2) Beginning after the effective date of this
18 amendatory Act of the 100th General Assembly, the Illinois
19 Department of Public Health shall provide the State
20 Treasurer with data from Illinois birth records for each
21 baby born in Illinois. All such information shall be
22 provided on a quarterly basis within 30 days of the end of
23 each quarter. The information provided shall be strictly
24 confidential and shall not be subject to release under the
25 Freedom of Information Act.

26 (3) After receiving birth record data for a child born

1 in the State of Illinois from the Department of Public
2 Health, the State Treasurer shall open a custodial account
3 through the Program. A parent or legal guardian may choose
4 to opt out of the Program at the time of the birth
5 certificate application process.

6 (c) The State Treasurer shall establish custodial accounts
7 in accordance with the following provisions:

8 (1) Upon establishment of a custodial account, the
9 State Treasurer shall make a seed deposit on behalf of the
10 beneficiary into the custodial account, as provided in
11 paragraphs (8) and (9) of this subsection (c).

12 (2) The State Treasurer will provide an annual match as
13 provided in paragraphs (8) and (9) of this subsection (c)
14 into the custodial account on a one-to-one dollar basis for
15 beneficiaries in low-income households, that are 18 years
16 of age or younger, and that are listed as a beneficiary of
17 a standard account under Section 16.5 of this Act. The
18 legal guardian and owner of the standard account will be
19 able to view the aggregate amount of the standard and
20 custodial accounts.

21 (3) Subject to funding, the State Treasurer may provide
22 additional savings incentives, including conditional cash
23 transfers that provide a savings incentive based on
24 specific actions taken, for beneficiaries in low-income
25 households.

26 (4) If sufficient funds are not available, the State

1 Treasurer may reduce the seed amount deposited in a
2 custodial account and any match temporarily. In the case of
3 limited funding, the seed amount will take priority over
4 the match incentives.

5 (5) Deposits into the custodial account shall be made
6 by the State Treasurer from funds appropriated by the
7 General Assembly or received as gifts, grants, or
8 contributions into the Higher Education Savings Program
9 Fund.

10 (6) Distributions from the custodial account shall be
11 permitted for qualifying post-secondary education expenses
12 in compliance with Section 529 of the Internal Revenue Code
13 only. Distributions from the custodial account must be made
14 prior to the beneficiary attaining the age of 29.

15 (7) For beneficiaries who serve in a national service
16 program, including, but not limited to, the United States
17 Military or the Peace Corp, each year of service shall
18 increase the maturity date by one year. For beneficiaries
19 that are serving a sentence as a result of a criminal
20 conviction or juvenile adjudication between the ages of 18
21 and 29, each year of confinement shall increase the
22 maturity date by one year.

23 (8) Between establishment of the Program and January 1,
24 2021, the seed and match amounts set forth in paragraphs
25 (1) and (2) of this subsection (c) shall be as follows: (i)
26 \$50 initial seed and (ii) a total match of \$150 annually

1 for low-income households.

2 (9) The State Treasurer shall adjust the seed deposit
3 amount and the annual match beginning July 1, 2021, and at
4 minimum every 5 years thereafter, based on an analysis of
5 the consumer price index. Adjustments to the seed and match
6 amounts shall be calculated by multiplying the current seed
7 amount by the percentage increase, if any, in the Consumer
8 Price Index for all Urban Consumers since the establishment
9 of the Program or, after July 1, 2021, since the date of
10 the last adjustment, and rounding that result to the
11 nearest 5 dollars.

12 (10) If a beneficiary does not use all funds in the
13 custodial account for a qualified expense and within the
14 timeline described in paragraphs (6) and (7) of this
15 subsection (c), any seed or match funds contributed by the
16 State Treasurer and any earnings from those funds shall be
17 forfeited and remain in the Higher Education Program Fund.

18 (11) If a beneficiary dies prior to the age of 29, any
19 seed or match funds contributed by the State of Illinois,
20 and any earnings from those funds shall be forfeited and
21 remain in the Higher Education Program Fund.

22 (d) If a beneficiary is not a resident of Illinois, (i) the
23 beneficiary shall not be eligible for the match incentives
24 described in paragraph (2) of subsection (c) of this Section
25 during any period of time when he or she is not residing in the
26 state of Illinois; and (ii) the custodial account shall

1 otherwise be maintained by the State Treasurer as set forth is
2 paragraph (1) and paragraphs (4) through (10) of subsection
3 (c).

4 (e) A legal guardian, residing in Illinois, of a child who
5 is born in Illinois before the implementation date or a child
6 born outside of Illinois and who is 15 years of age or younger,
7 may apply with the Office of the Illinois State Treasurer to
8 enroll his or her child in the Program as a beneficiary. This
9 new enrollee would be eligible for the match incentive
10 described in paragraphs (8) and (9) of subsection (c) of this
11 Section, but is not eligible for the seed amount.

12 (f) The Illinois Higher Education Savings Program Fund is
13 hereby established. The Fund shall be the official repository
14 of all contributions, appropriations, interest and dividend
15 payments, gifts, or other financial assets received by State
16 Treasurer in connection with the operation of the Program. All
17 such moneys shall be deposited in the Fund and held by the
18 State Treasurer as custodian thereof, outside of the State
19 Treasury, separate and apart from all public moneys or funds of
20 this State.

21 All interest or other earnings accruing or received on
22 amounts in the Illinois Higher Education Savings Program Fund
23 shall be credited to and retained by the Fund. Moneys,
24 interest, or other earnings paid into the Fund shall not be
25 transferred or allocated by the State Treasurer or the State
26 Comptroller to any other fund, nor shall the Governor authorize

1 any such transfer or allocation, while any contracts are
2 outstanding. In addition, no moneys, interest, or other
3 earnings paid into the Fund shall be used, temporarily or
4 otherwise, for inter-fund borrowing or be otherwise used or
5 appropriated, except as expressly authorized in this Act.

6 (g) The State Treasurer may develop financial capability
7 programs and education that support the financial literacy of
8 beneficiaries and their legal guardians impacted by the Program
9 in collaboration with State agencies, including the State Board
10 of Education and the Department of Human Services, and existing
11 nonprofit agencies working with low-income families that
12 specialize in financial education delivery.

13 (h) The Illinois Higher Education Savings Program shall be
14 included as part of the audit of the College Savings Pool
15 described in Section 16.5 of this Act.

16 (i) The State Treasurer shall begin implementation of the
17 Illinois Higher Education Savings Program in 2018. The State
18 Treasurer may establish a phased implementation and
19 beneficiary enrollment timeline based on funding availability.
20 Upon implementation of the Program, the State Treasurer shall
21 include information on savings rates and match savings rates in
22 the State Treasurer's annual financial report to the Governor
23 and General Assembly.

24 (j) The Higher Education Savings Program Act is subject to
25 appropriation by the General Assembly. If the State Treasurer
26 does not secure adequate funds to implement the Program within

1 the time frame set forth under this Section, Program
2 implementation may be delayed while the State Treasurer makes
3 good faith efforts to secure necessary funding. The State
4 Treasurer may accept gifts, grants, awards, matching
5 contributions, interest income and appropriations from
6 individuals, businesses, governments, and other third-party
7 sources to implement the Program on terms that the Treasurer
8 deems advisable. Moneys received under this Section may be
9 expended for purposes consistent with the conditions under
10 which those moneys are received, subject to appropriations made
11 by the General Assembly for those purposes.

12 (k) Birth certificate data from the State Registrar of
13 Vital Records shall only be used for the Illinois Higher
14 Education Savings Program and shall not be used for any other
15 purpose. The State Treasurer and any contractors working on the
16 Program shall maintain strict confidentiality of data from
17 Illinois birth records, and shall promptly provide written or
18 electronic notice of any security breach to the Department of
19 Public Health. The Department of Public Health shall remain the
20 sole and exclusive owner of data from Illinois birth records
21 provided under this Section.

22 (l) The State Treasurer may adopt, in accordance with the
23 Illinois Administrative Procedure Act, any rules that may be
24 necessary to implement the Program as described in this
25 Section.

1 Section 10. The State Finance Act is amended by adding
2 Section 5.878 as follows:

3 (30 ILCS 105/5.878 new)

4 Sec. 5.878. The Illinois Higher Education Savings Program
5 Fund.